



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 91** SLS 09RS 311  
Bill Text Version: **REENGROSSED**  
Opp. Chamb. Action: **w/ HSE COMM AMD**  
Proposed Amd.:  
Sub. Bill For.:

|  |         |                                |
|--|---------|--------------------------------|
| <b>Date:</b> June 19, 2009   | 3:25 PM | <b>Author:</b> GAUTREAUX, N.   |
| <b>Dept./Agy.:</b> Revenue   |         |                                |
| <b>Subject:</b> Alternative energy state credit subject to federal funding |         | <b>Analyst:</b> Deborah Vivien |

TAX/ENERGY RE1 SEE FISC NOTE GF RV See Note Page 1 of 1  
Provides a transferable tax credit for income and corporation franchise taxes of 25% of the costs and expenses attributable to the construction or for the installation of certain qualified energy systems limited to \$400,000 per project. (gov sig)

Proposed law provides a transferable credit against income tax and franchise tax for 25% of construction or installation costs of qualified energy systems as listed in Title 26, Section 45 of U.S. Code, up to \$400,000 per project. This is not a credit for the purchase of a system for installation and may not be used in conjunction with the existing residential wind and solar credit. Qualified energy systems include wind, closed-loop biomass, open-loop biomass, geothermal energy, small irrigation power, municipal solid waste and qualified hydropower production. The credit shall be earned in the year in which the energy resource is placed in service and is to be awarded on a first-come, first-served basis. The Department of Natural Resources is the administrator of the credit, and make the bill’s provisions effective only when federal funds in the amount of the credit have been allocated to the state explicitly to fund the tax credits allowed by this bill.  
Effective upon governor's signature for expenses incurred on or after January 1, 2009 and before December 31, 2012.

| EXPENDITURES   | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 5 -YEAR TOTAL |
|----------------|---------|---------|---------|---------|---------|---------------|
| State Gen. Fd. | \$0     | \$0     | \$0     | \$0     | \$0     | \$0           |
| Agy. Self-Gen. | \$0     | \$0     | \$0     | \$0     | \$0     | \$0           |
| Ded./Other     | \$0     | \$0     | \$0     | \$0     | \$0     | \$0           |
| Federal Funds  | \$0     | \$0     | \$0     | \$0     | \$0     | \$0           |
| Local Funds    | \$0     | \$0     | \$0     | \$0     | \$0     | \$0           |
| Annual Total   | \$0     | \$0     | \$0     | \$0     | \$0     | \$0           |

| REVENUES       | 2009-10  | 2010-11  | 2011-12  | 2012-13  | 2013-14  | 5 -YEAR TOTAL |
|----------------|----------|----------|----------|----------|----------|---------------|
| State Gen. Fd. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE |               |
| Agy. Self-Gen. | \$0      | \$0      | \$0      | \$0      | \$0      | \$0           |
| Ded./Other     | \$0      | \$0      | \$0      | \$0      | \$0      | \$0           |
| Federal Funds  | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE |               |
| Local Funds    | \$0      | \$0      | \$0      | \$0      | \$0      | \$0           |
| Annual Total   | \$0      | \$0      | \$0      | \$0      | \$0      | \$0           |

EXPENDITURE EXPLANATION

The Department of Natural Resources estimates associated expenses to be \$165,181 in FY 09/10, \$147,668 in FY 10/11, \$153,155 in FY 11/12, \$158,861 in FY 12/13, and \$171,448 in FY 13/14 including salary, benefits and related office expenses for two new positions, an accountant and a statistician.

REVENUE EXPLANATION

This bill allows a tax credit for construction or installation of energy producing systems that are also eligible for a federal renewable electricity production credit since the definition references for a qualified energy resource are the same. The qualified energy resources include wind, closed-loop biomass, open-loop biomass, geothermal energy, small irrigation power, municipal solid waste and qualified hydropower production. Explicit within the definition is closed-loop biomass or biomass burned in conjunction with the fossil fuel (cofiring) beyond such fossil fuel required for startup and flame stabilization, to produce electricity and to transfer such electricity to the point of use or storage.

According to the Department of Natural Resources, many of these systems are potentially geared toward commercial production of energy to be supplied to the electricity grid and would include wind turbine farms and ethanol plants, among others. The cost of construction and installation of these projects can be small, in the case of a small commercial solar energy system at \$10,000 or very large, such as the wind turbine field under consideration for the Gulf of Mexico at \$100,000,000. This credit is capped at \$400,000 per project, which implies a system with qualified expenses of \$1,600,000. It is unknown how many projects are pending that would qualify for this credit or whether the size of the credit would lure new projects into operation. Though there is a project cap, it may be possible to split large projects into many smaller ones to maximize the credit. Also, there is no cap on total credits that can be issued. Given the potential size of these kinds of projects, the amount of this credit could be substantial, especially should the shift to alternative energy accelerate. It would take projects totaling \$2 million to generate \$500,000 of tax credit exposure.

According to the proposed amendments, the bill’s provisions are effective only when federal funds in the amount of the credit have been allocated to the state explicitly to fund the tax credits allowed by this bill. The bill contemplates a new state tax credit, and that is depicted in the table above. State revenue losses from the bill’s tax credit would occur. Then, presumably, the state would be allowed to deposit these federal monies into the state general fund to cover the state tax credit revenue losses from the credit established by this bill. In that case there would be no net loss to the state general fund. This credit is prohibited from being awarded without federal funds allocated to reimburse the state general fund for the credit impact.

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|--|---------------------|--|--|
| Senate   | Dual Referral Rules | House  |  |
| <input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost                  |                     | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost                        | <br>Gregory V. Albrecht<br>Chief Economist |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change |                     | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease |  |